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Guatemala

Sugar

Annual

2005

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Report Highlights:
In 2004-05 sugar production is expected to be higher due to the increase of planted area. In 2005-06 production is expected to rise by 2% as more area is planted.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Guatemala [GT1]
[GT]

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Executive Summary

FAS Guatemala sees the sugar industry performing at a steady output with few changes in the sector. Neither policy, trade, supplies and demand is expected to show any significant change in the foreseeable future. In 2004-05 sugar production experienced a slight increase in area planted. In the year 2005-06, sugar production is expected increase slightly due to increase in planted area. However, yields are expected to remain unchanged.

The area planted for the 2004-05 crop increased by 7,000 hectares from 187,000 to 194,000. This increase was directly related to the increase in international prices during the 2003-04 season. In 2005-06 planted area is expected to increase to 200,000 hectares and yields are expected to stay unchanged.

Guatemala exports around 60% of total production and is considered the world's sixth largest exporter and third in Latin America, accounting for around 4% of net world exports. In 2003-04 Guatemala exported 1,386,490 MT, a slight increase in comparison with the previous year. For the 2004-05 period exports are expected to increase to 1,391,000 MT due to added area planted. The major destinations will be the U.S., Canada, China, Malaysia, Ukraine, Venezuela and Korea.

Production

PSD Table						
Country	Guatemala					
Commodity	Centrifugal Sugar				(1000 MT)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		11/2003		11/2004		11/2005
Beginning Stocks	270	173	424	188	0	223
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2005	1850	1900	1982	0	2000
TOTAL Sugar Production	2005	1850	1900	1982	0	2000
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
TOTAL Imports	9	0	10	0	0	0
TOTAL SUPPLY	2284	2023	2334	2170	0	2223
Raw Exports	1125	1125	1225	1176	0	1181
Refined Exp.(Raw Val)	210	210	210	210	0	210
TOTAL EXPORTS	1335	1335	1435	1386	0	1391
Human Dom. Consumption	535	500	537	561	0	572
Other Disappearance	0	0	0	0	0	0
Total Disappearance	525	500	537	561	0	572
Ending Stocks	424	188	188	223	0	260
TOTAL DISTRIBUTION	2284	2023	2160	2170	0	2223

PSD Table						
Country	Guatemala					
Commodity	Sugar Cane for Centrifugal				(1000 HA) (1000 MT)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		11/2003		11/2004		11/2005
Area Planted	180	180	0	187	0	194
Area Harvested	180	180	0	187	0	194
Production	14670	16624	0	17781	0	17587
TOTAL SUPPLY	14670	16624	0	17781	0	17587
Utilization for Sugar	14670	16124	0	17281	0	17087
Utilized for Alcohol	0	500	0	500	0	500
TOTAL UTILIZATION	14670	16624	0	17781	0	17587

Guatemala's planted sugarcane area for 2004-05 is forecast at 194,000 hectares. Usually in Guatemala, the increase or decrease of area planted directly responds to sugarcane contracts offered by sugar mills, the price formula for sugarcane and the relative profitability of crops like bananas and palm. In this case sugarcane planted area is expected to rise by about 2% thanks to the slight recovery of international prices.

For the 2004-05 crop ideal climatic conditions caused allowed for steady yields and the sugar recovery rate. For the 2005-06 crop, sugarcane yields and sugar rates of return are expected to remain steady at the 2004-05 levels. Eventually, yields and production will largely depend on climatic conditions.

Average sugarcane yields and sugar recovery rates are summarized below:

YIELDS/RECOVERY RATES	2002/03	2003/04	2004/05
Sugarcane (MT/Ha)	87.3	91.7	91.7
Sugar (Kg/MT)	113	113	113

The Guatemalan Center for Sugarcane Research (CENGICAÑA) keeps supporting the industry with research and technical assistance. Their objective is to improve and increase sugarcane and by-products production and yields, by generating, validating and transferring quality technology for the profitable and sustainable development of the industry. Their main goal is to increase sugar yields and to improve varieties through research programs. CENGICAÑA's assistance has been very valuable to the sugar industry in keeping yields at acceptable levels through poor weather conditions. Currently, they are in the last stages of developing a local variety, which they expect to be ready for commercial planting in the crop year 2005/06. Currently, the most commonly planted sugar cane variety is CP722086, followed by 68P23, CP781312, and CP731547. According to officials at (CENGICAÑA) the total potential area,

which could be planted to sugarcane, is 350,000 hectares, which could yield up to 30 million MT of sugarcane. However it is unlikely that this land will be used for cane.
There are 15 sugar mills in the country. During 2004, two sugar mills closed. Combined milling capacity for 2004-05 is around 125,000 MT per day, down from last year's capacity of 129,000 MT per day. Sugar production for 2004-05 is expected to reach about 2,000,000 MT due to more harvest area. Total sugar production for 2005-06 is forecast to slightly increase due to additional planted area of 6,000 hectares. There is only one sugar mill that produces alcohol. During 2004-05 it is expected to produce around 500 MT of alcohol. Most of the alcohol is exported to the U.S. and Mexico. In addition, six sugar mills are generating electricity, utilizing the sugarcane bagasse. They are currently generating approximately 148 megawatts of electricity, which accounts for 20% of total electricity produced in the country.

There are two methods of irrigation used in Guatemala, gravity flow and aspersion. Approximately 40 percent of Guatemalan sugarcane is irrigated. The sugar industry generates around 60,000 full-time jobs, which support around 250,000 people. In addition, the sugar industry generates employment indirectly for another 300,000 people.

The average cost of production for 2005 follows:

DESCRIPTION	VALUE $/HA (Q7.65/$1)	PERCENTAGE
Land preparation	114.75	8.29
Planting	394.93	28.53
Weed control out of cane plantation	6.87	.50
Weed control inside of cane plantation	94.67	6.84
Fertilization	74.59	5.39
Irrigation	173.08	12.50
Maturing agents application	20.08	1.45
Experiments	7.05	0.51
Pest control	15.00	1.04
Harvesting	483.86	34.96
TOTAL	923.98	100.00

The local sugar association "Associacion de Azucareros de Guatemala (ASAZGUA) through a price formula set sometime before the harvest season starts, determines the price for sugarcane. The price is based on a minimum of 87.5 kilos of sugar per metric ton of cane. For sugar content above the basis, the producer receives a proportional adjustment.

Local sugarcane prices for 2005 are likely to remain steady as a result of a decision between the Government and the industry to hold the line on local sugar prices. This measure will affect the independent sugarcane grower, since sugarcane prices are determined by a formula based in part on the current domestic sugar price. Due to this situation, independent sugarcane growers are trying to discuss with sugar millers and government officials the possibility of changing the formula so that domestic wholesale price movements do not affect them or receiving some type of subsidy. Presently, the prices are as follows:

At Mill	Wholesaler	Retailer
$0.20/lbs	$0.225/lbs	$0.25/lbs

Consumption

In 2002-03 local consumption is expected to increase slightly to 572,000 MT due to a growth in population. Per capita consumption of sugar is 42 Kg. Distribuidora Azucarera de Guatemala S.A. (DAZGUA) markets and distributes to retailers through 38 warehouses strategically located throughout the country. DAZGUA operates as a wholesaler and retailer. Competition from other retailers has forced DAZGUA to come out with new marketing strategies in order to compete with retailers offering lower prices due to lower costs in packaging, transportation, and inaccurate weights.

In Guatemala almost all wholesale of sugar is sold through DAZGUA, since they have a legal oligopoly set up by a decree in 1997. There are ways of buying wholesale from mills, but it is very difficult and the amounts are very small. However, in the retail market, anyone can sell.

Alternative sweeteners and other alternative sugar products are not a detrimental or significant factor in total domestic sugar consumption. Sugar confectionery imports and sugar smuggling from Mexico have had some affect on sugar consumption but not to a significant degree. Currently, domestic consumption is split as follows: 28% for industrial and 72% for human. On the industrial side of domestic consumption, the soft drinks industry is the major consumer of sugar. Other major sugar consumers include: confectioneries, bakeries, juices, wineries, dairy products, and pharmaceuticals.

Trade

Export Trade Matrix			
Country	Guatemala		
Commodity	Centrifugal Sugar		
Time period	Jan-Dec	Units:	Metric Tons
Exports for:	2003		2004
U.S.	219,600	U.S.	200,500
Others		Others	
South Korea	421,750	South Korea	315,200
Russia	327,400	Canada	117,000
Malaysia	120,000	Taiwan	113,900
Canada	101,600	Malaysia	82,500
Haiti	31,400	Venezuela	76,700
Morocco	30,000	Ukraine	65,700
Algiers	29,500	Mexico	65,300
Bulgaria	24,500	Jamaica	28,400
Mexico	22,000	Chile	21,700
Taiwan	17,400	Bulgaria	19,000
Total for Others	1,125,500		905,400
Others not Listed	261,000		100,500
Grand Total	1,386,500		1,200,600

Guatemala exports are around three quarters of total production. Guatemala is considered the sixth largest exporter in the world and third in Latin America. In the 2004-05 period, the industry expects to export 1,391,000 MT, a slight increase in comparison with the previous year thanks to the addition area harvested. In the year 2006, Guatemalan exports are expected to remain steady. The total U.S. quota allocation for Guatemala in FY2005 is 50,546 MT. The Guatemalan Sugar Association expects that around 84% of total exports will be in raw sugar, a slight increase from the previous year due to an increase in the U.S. re-export market and an increase of raw sugar imports from Canada, in spite of a decrease from the Russian import market. For the 2004-05 crop, a fair amount of sugar exports are expected to go to the U.S., Canada, Malaysia, Venezuela, Ukraine, Mexico and South Korea.

Stocks

In November 2005 ending stocks are expected to be 260,000 MT. Domestic stocks are held in warehouses managed by DAZGUA throughout the country. All sugar that is to be exported is held in warehouses managed by EXPOGRANEL, located in Puerto Quetzal. Their warehousing capacity is 44,000 MT of bulk sugar, and 36,000 MT of sugar in sacks of 50 Kg (400,000 sacks). They have a loading capacity of 500 MT per hour (2,000 sacks per hour).

Policy

Official decree 92-71 established the Sugar Board, which includes representatives from the Ministry of Economy, sugarcane producers, and sugar mills. The Board establishes production goals, sets sugarcane prices, and also allocates Guatemala's production of the U.S. sugar quota to the different sugar mills. The allocation to each mill is based on past production performance, previous quotas, and milling capacity.

According to the law, all sugar mills have to add vitamin "A" to sugar. The industry claims to invest $3.5 million a year on vitamin "A".

Presently, Guatemala has no quotas for sugar, and all imports are accessed a tariff of 20%. Furthermore, all imports must fulfill the enrichment law.